
Section 1

Crisis-related Discrimination Against Foreign Commercial Interests

A Global Overview of Protectionism through to May 2010

Simon J. Evenett

University of St. Gallen and CEPR

What a difference six weeks make. During the first quarter of 2010 business appeared to gain confidence across both sides of the Atlantic, most large industrialised economies were no longer contracting, and much valued upward momentum was provided to the world economy by the Asian powerhouses, China and India.

Towards the end of May 2010, however, sentiment has markedly shifted, partly as a result of insolvency risks in the eurozone, concerns about the overheating of the Chinese and Indian economies, and recognition that cross-border bank lending and the carry trade has reached such levels that other parts of the world economy knew they could quickly be drawn into further turmoil.

Only time will tell if the first quarter of 2010 was a really turning in point in global economic fortunes or a false dawn. For purposes of monitoring contemporary protectionism, however, the state of the business cycle and the confidence of business persons are important because they affect the pressure on governments to impose further restrictions on foreign commerce. As an economy rallies, the benefits of the upturn spread to further sectors, pressures to restrict commerce tend to abate, or so prior experience has shown. But, if first quarter was the calm before another storm, then protectionist pressures may intensify.

Rather than rely solely on the regularities of yesteryear to inform policy deliberations, one advantage of systematically collecting data on the state measures that may have (positive, negative, or no) implications for foreign commercial interests is that up to date summaries of the extent of protectionism and trade liberalisation can be presented. Indeed, the purpose of this chapter is to provide a global overview of developments into the first five months of 2010, taking careful account of the fact that some of evidence collected in recent months refers to state measures taken or announced in 2009. Given this Report's focus on developments in the Sub-Saharan African region, developments in that region are described and analysed in the next section.

A substantial update and extension of the Global Trade Alert database has been undertaken since the Fourth Report was published at the end of January 2010. From mid-January 2010 to mid-May 2010 a total of 247 new reports were added to the Global Trade Alert database, equivalent to approximately a 40 percent expansion of the database. Of those 247 new entries, 131 government measures been implemented that almost certainly discriminated against foreign commercial interests. The total number of implemented (almost) discriminatory measures in the Global Trade Alert database rose then to 496 measures, just over half of the total number of reports (960).

While more details can be found in the pages that follow, once again it was found that many less transparent--or murky--forms of protectionism take time to be discovered, investigated, and reported. Therefore each of these published reports not only provides evidence on what has happened in recent months but also updates findings for previous quarters. This is significant for two reasons.

First, the first reading of protectionism implemented in a given quarter has turned out to be a serious underestimate. For example, in our last report our first estimate of the number of almost certainly or likely discriminatory measures implemented in the first quarter of 2009 was only 7. Now, our estimate of the number of such measures implemented in that quarter has risen nine-fold to 63.¹ Followers of contemporary protectionism are, therefore, cautioned against putting too much weight on any instantaneous readings of protectionism. This observation reinforces the need for a longer-term effort to monitor protectionism; short term efforts mobilised in response to sirens may not serve decision-makers well.

With the publication of each Global Trade Alert report, the record for 2009 keep getting worse and worse. No doubt to the embarrassment of those who systematically talked down the incidence of protectionism during 2009, the evidence continues to mount as to the extent to which governments discriminated against foreign commercial interests. Presumably trade ministry officials, who keep an eye on the cases where their country's commercial interests have been hurt, prefer a comprehensive perspective. In this regard, the substantial update in the number of entries in the GTA database, will make for unwelcome reading in some jurisdictions. Since our last report was published we have identified 60 more discriminatory measures that have harmed China's commercial interests, 53 definitely hurting the EU 27 countries (taken together) and 38 measures harming American commercial interests.²

What follows is a systematic account of the various facets of contemporary protectionism. The sections used typically follow those of previous reports, facilitating comparisons across reports and over time.

Evidence of discrimination against foreign commercial interests continues to mount

1. Since the first G20 crisis-related summit in November 2008, the governments of world have together implemented 496 beggar-thy-neighbour policy measures; that is, more than one for every working day. Add in another 86 implemented measures that are likely to have harmed some foreign commercial interests, the total reaches 582; that is, more than one for every actual day since the first G20 summit in November 2008. **See Tables 2.1. and 2.2.**
2. Since our last report was published in January 2010, the number of beggar-thy-neighbour measures reported (131) was less than three times the number of benign or liberalising measures reported (53). This ratio was considerably more favourable to market opening than in the previous reports, and constitutes some good news. **See Table 2.1.**

1 One could argue that our last report was published in January 2010 so we must have known that 7 was an underestimate. This is true, however, the extent to which the initial report was an underestimate could not be known.

2 The GTA website provides such data for each jurisdiction.

3. Although there are a lot of anti-dumping, anti-subsidy and safeguard measures in the pipeline, they still account for only 99 of the 496 harmful measures implemented since November 2008. The large numbers of discriminatory measures reported in the Global Trade Alert database are, therefore, not driven by so-called unfair trade actions. **See Table 2.1.**
4. No four-digit product line, UN classified economic sector, or jurisdiction has emerged unscathed by crisis-era protectionism. **See Table 2.2.**
5. Despite taking their no-protectionism pledge the G20 members have imposed 316 beggar-thy-neighbour policies since November 2008. Since our last report was published in January 2010, a total of 96 more discriminatory measures implemented by G20 countries have been discovered, representing at least a 40 percent increase. **See Table 2.3 and Figure 2.1.**
6. The G20 countries also implemented 81 of the 107 benign or liberalising measures recorded in the GTA database. To their credit, 33 of the 41 benign or liberalising measures discovered since the last GTA report was published were implemented by G20 countries. **See Table 2.3.**
7. Typically, since the first G20 summit in November 2008, every other day a G20 government has broken the no-protectionism pledge. In contrast a benign or liberalising measure is implemented by a G20 government on average every 6 days. **See Table 2.3.**
8. While G20 governments have implemented many of the beggar-thy-neighbour policies since the Washington DC summit, just over a third (184) of protectionist measures have been implemented by other governments. **See Tables 2.2. and 2.3.**

Reporting lags must be taken into account when interpreting quarterly estimates of the rate of implementation of discriminatory measures

9. In terms of raw numbers, there appears to be a reduction in the total number of almost certainly and probably discriminatory measures imposed from the second half of 2009 compared to the first half of 2009. **See Figure 2.2.**
10. Since our last report was compiled the GTA team has found evidence of more harmful state measures that were imposed in the last quarter of 2008 and the first half of 2009. This evidence forces us to revise upward by approximately 10 percent the number of beggar-thy-neighbour measures imposed in the first six months of 2009, to at least 115 measures per quarter. **See Figure 2.2.**
11. Compared to the last report, the total number of discriminatory measures implemented in the third and fourth quarters of 2009 and in the first quarter of 2010 have been revised upwards substantially. **See Figure 2.2.** Readers are cautioned to expect further upward revisions in estimates for these quarters.
12. As in previous reports, the total number of reported estimates per quarter do not appear to be settling down. Nor has been there been enough time to be sure that reporting lags have worked through and the quarterly totals can be usefully compared. These findings suggest that it is too soon to declare victory over protectionism; too premature to say that any recovery is reducing the number of trade restrictions imposed. **See Figure 2.2.**

The protectionist in the pipeline keeps growing – no respite there

13. In January 2010 the GTA reported there were 188 suspicious protectionist measures in the pipeline³; by May 2010 that total has risen to 237. As in our previous reports, if every one of these measures were eventually implemented it would be equivalent just under half a year's more protectionism. **See Tables 2.1 and 2.2.**

China remains the most frequent target of crisis-era protectionism, but other nations are hit often too

14. Since November 2008, China's commercial interests have been hit 221 times by protectionist measures. Only if the 27 members of the European Union are counted together, does any other jurisdiction come close to absorbing comparable harm (the EU27 group being hit 206 times). **See Table 2.4.**

15. Other than China, the top 10 targets jurisdictions hit by the most number of harmful foreign measures are all industrialised countries. Brazil, Korea, Thailand, Turkey, and India are in the top 20 most frequently hit jurisdictions. **See Table 2.4** and GTA website.

16. There have been substantial increases in the number of times certain jurisdictions' commercial interests have been harmed since the last GTA report was published in January 2010. Since that last report, everyone of the 10 ten targets have been hit by at least another 28 beggar-thy-neighbour policies. China has been hit by 60 more measures (the most again), followed by the EU 27 (53 more adverse measures) and the USA (38 more hits). **See Table 2.4.**

17. Seventy trading partners have imposed measures harmful to Chinese commercial interests. Only the EU 27 countries together equals that total. France alone comes close, with 67 countries harming its commercial interests. **See Table 2.4.**

18. In addition, 122 of the measures in the protectionist pipeline are likely to harm Chinese commercial interests, should those measures be implemented. Interestingly the EU27 and the USA each saw the number of pending discriminatory measures against their commercial interests rise by 20 since the last GTA report was published in January 2010, twice the rate for the Chinese. **See Table 2.4.**

Which nations have inflicted the most harm?

Since protectionist acts can affect different numbers of products, sectors, and trading partners, there is no single metric to identify the worst offending nations. The GTA reports four indicators of harm.⁴ Compared to the last report, there have been a number of notable changes in the rankings.

⁴ Previous comparisons of the rankings of countries on the basis of these four rankings have shown a remarkably high degree of correlation. The Spearman rank correlations between the four rankings lied within the range 0.68-0.81.

19. Unlike recent GTA reports, by May 2010 it was not longer the case that the Russian Federation was in the top 5 of offending nations all four criteria (number of harmful measures implemented, tariff lines affected, sectors affected, or trading partners affected). Now, taken together, the EU 27 has this dubious distinction. **See Table 2.5.**
20. On all four metrics, Argentina, China, Indonesia, and Russian Federation are always in the top 10 worst offending nations. **See Table 2.5.**
21. The Russian Federation has the dubious distinction of raising trade barriers against the most tariff lines (40 percent of all product categories.) Still, Algeria takes the prize for measures that harm foreign commercial interests in the largest number of economic sectors; Indonesia for harming the most trading partners (165). **See Table 2.5.**
22. When nations are ranked by the number of trading partners their state measures have harmed, every one of the top-10 worst offenders has hurt the commercial interests of over 120 nations. Given the conservative methodology used to identify the harmed jurisdictions⁵, this finding indicates the scale of the adverse impact of many governments' crisis-era state measures. **See Table 2.5.**

A repeat of the 1930s protectionism has – to date – been avoided

23. In the last GTA report it was stated that only five jurisdictions had taken measures that affected more than a quarter of all the possible imported product categories; interestingly that number has now risen to nine. Still, only six (or five if one does not count the EU 27 as a group) jurisdictions have taken measures that affect more than a third of all possible product categories. The latter demonstrates that the across-the-board measures seen in the 1930s have not been repeated in the recent global economic downturn. **See Table 2.5.**

Which types of beggar-thy-neighbour policies are used the most?

24. Since the first G20 crisis-summit, bailouts and state aids are the most frequent source of discrimination against other nations' commercial interests. Thirty-one percent of all discriminatory measures were bailouts. By now 96 out of the 166 discriminatory state aid/bail out measures in the Global Trade Alert database are in sectors other than the financial sector; it is a mistake to associate the discriminatory bailouts of the recent past solely to banks and insurance companies and the preservation of financial stability.⁶ **See Table 2.6. and Figure 2.3.**
25. The implementation of discriminatory trade defence instruments are the second most common form of protectionism. Given that a large number of trade remedy investigations are ongoing, in the next 12 months it would not be surprising if the number of bailouts loses its number one slot. **See Table 2.6. and Figure 2.4.**

5 In short, identification is on the basis of an existing non-trivial trade, investment, or other commercial flow, not indicators of potential harm.

6 This latter finding can be confirmed by going on to the "Advanced Search" page of the GTA website and searching for the bailout measures that do not affect sector 81, namely, financial intermediation services and auxiliary services thereof.

26. Since our last report was published, bailouts and trade defence measures account for the overwhelming majority of new discriminatory state measures that the GTA has uncovered. Recently, it seems, the action is in these two policy instruments, with tariff increases running a poor third. **See Table 2.6.**
27. Relatively speaking, tariff measures appear to decline further in numerical importance. Tariff increases account for only one in eight of the total number of discriminatory state measures imposed in the current global economic downturn. This calls into question how representative of contemporary protectionism, the much-studied, easy-to-measure, and typically transparent tariff increase is. **See Table 2.6. and Figure 2.3.**
28. Export taxes or restrictions, bailouts, export subsidies, buy national policies, tariff measures, trade defence measures, plus a rag-bag of non-tariff barriers imposed since November 2008 are each conservatively estimated to have harmed over 100 countries' commercial interests. **See Table 2.6.**

Which sectors are most affected by protectionism?

29. Setting state measures that benefit the financial sector to one side, like its recent predecessors, this Report confirms a finding in the second GTA report. Namely, despite all the talk about measures to bolster green industries, innovation, and future growth poles of the economy, the great majority of the discrimination is in favour of domestic firms in smokestack, declining industries and in agriculture. **See Table 2.7.**
30. Looking ahead, the basic metals and basic chemical sectors could be affected by over 30 pending measures. Should this come to pass then over the next year or so, both sectors will eclipse the financial sector as the principal sectors most affected by contemporary era protectionism. **See Table 2.7.**

Table 2.1 Total number of state measures reported in the GTA database

Statistic	This report (May 2010)		Increase from previous report (January 2010)	
	Total	Total except unfair trade and safeguards investigations	Total	Total except unfair trade and safeguards investigations
Total number of measures in GTA database	960	658	247	182
Total number of measures coded green	141	121	53	43
Total number of measures coded amber	323	140	63	41
Total number of measures coded red	496	397	131	98

How does the GTA colour code measures?

Colour code	Criteria
Red	(i) The measure has been implemented and almost certainly discriminates against foreign commercial interests.
Amber	(i) The measure has been implemented and may involve discrimination against foreign commercial interests; OR (ii) The measure has been announced or is under consideration and would (if implemented) almost certainly involve discrimination against foreign commercial interests.
Green	(i) The measure has been announced and involves liberalization on a non-discriminatory (i.e., most favored nation) basis; OR (ii) The measure has been implemented and is found (upon investigation) not to be discriminatory; OR (iii) The measure has been implemented, involves no further discrimination, and improves the transparency of a jurisdiction's trade-related policies.

Table 2.2 Measures implemented since first crisis-related G20 summit in November 2008, totals for all jurisdictions and change since last report

Statistic	This report (May 2010)		Increase from previous report (January 2010)	
	Total	Total except unfair trade and safeguards investigations	Total	Total except unfair trade and safeguards investigations
Total number of measures in GTA database	688	548	195	148
Total number of measures coded green	107	94	41	34
Total number of measures coded amber	86	57	24	20
Total number of measures coded red	496	397	131	98
Total number of 4-digit tariff lines affected by almost certainly discriminatory measures	1214	1214	0	0
Total number of 2-digit sectors affected by almost certainly discriminatory measures	79	79	0	0
Total number of trading partners affected by almost certainly discriminatory measures	233	233	0	0

Table 2.3 Measures implemented by G20 countries in the year since the first crisis-related G20 summit in November 2008, totals for all G20 jurisdictions and change since last report

Statistic	This report (May 2010)		Increase from previous report (January 2010)	
	Total	Total except unfair trade and safeguards investigations	Total	Total except unfair trade and safeguards investigations
Total number of measures in GTA database	459	331	155	112
Total number of measures coded green	81	70	33	27
Total number of measures coded amber	64	36	26	19
Total number of measures coded red	314	225	96	66
Total number of 4-digit tariff lines affected by almost certainly discriminatory measures	1119	1116	141	148
Total number of 2-digit sectors affected by almost certainly discriminatory measures	61	61	3	3
Total number of trading partners affected by almost certainly discriminatory measures	207	207	11	11

Figure 2.1. The G20 members implement a higher share of beggar-thy-neighbor policies than other countries.

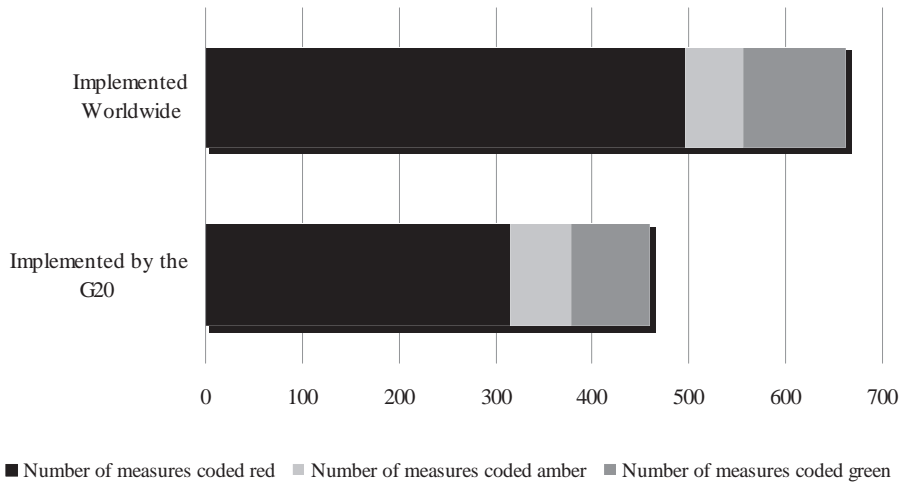
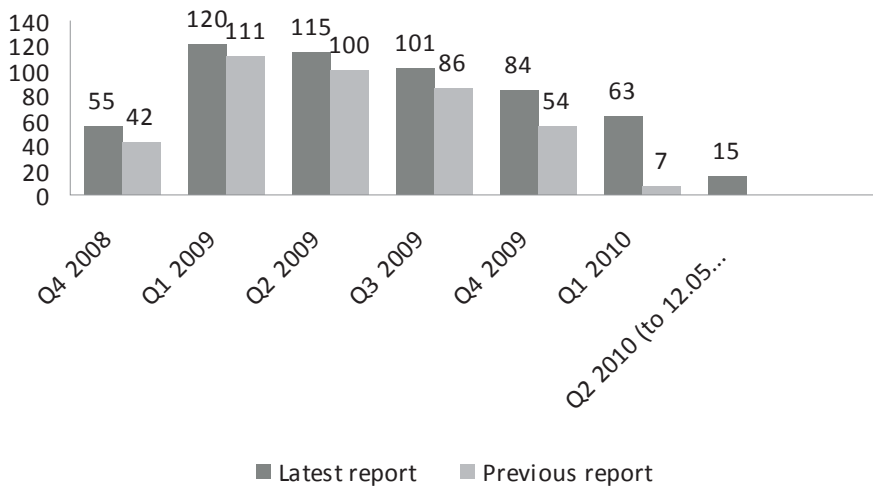


Figure 2.2. Q1 2010 protectionism is on trend to match 2009 levels; murky protectionism continues to generate sizeable reporting lags



In Figure 2.2, a harmful measure is taken to be one which has been implemented since November 2008 and is almost certainly discriminatory (coded red) or likely to be discriminatory (coded amber).

Table 2.4. The top 10 biggest targets of discriminatory measures face even more pain

Target	Number of discriminatory measures imposed on target		Number of trading partners imposing discriminatory measures		Number of pending measures, which if implemented, would harm target too	
	This report (May 2010)	Increase from last report (January 2010)	This report (May 2010)	Increase from last report (January 2010)	This report (May 2010)	Increase from last report (January 2010)
China	221	60	70	9	122	11
EU27	206	53	70	27	77	20
USA	166	38	60	9	51	20
Germany	158	34	57	21	53	11
France	145	33	67	31	45	11
UK	134	29	55	22	41	10
Italy	132	29	58	9	48	17
Japan	131	28	56	22	42	14
Belgium	129	27	52	17	39	12
Netherlands	128	28	55	23	37	1

Table 2.5 Which countries have inflicted the most harm?

Rank	Metric, Country in specified rank, Number			
	Ranked by number of (almost certainly) discriminatory measures imposed	Ranked by the number of tariff lines (product categories) affected by (almost certainly) discriminatory measures	Ranked by the number of sectors affected by (almost certainly) discriminatory measures	Ranked by the number of trading partners affected by (almost certainly) discriminatory measures
1.	EU 27 (140)	Russian Federation (487)	Algeria (54)	Indonesia (165)
2.	Russian Federation (48)	Brazil (440)	EU 27 (52)	EU 27 (163)
3.	Argentina (37)	Ukraine (389)	Indonesia (31)	China (152)
4.	Germany (28)	EU 27 (371)	Ecuador (30)	Argentina (145)
5.	India (27)	Indonesia (346)	China (26)	India (144)
6.	UK (22)	China (335)	Russian Federation (25)	Russian Federation (137)
7.	Indonesia (20)	Ecuador (316)	Mexico (24)	Belgium (132)
8.	China (19)	Argentina (299)	Argentina	UK (128)
9.	Italy (18)	India (282)	Belarus (23)	Germany (124)
10.	Austria (17)	Belgium (203)	Belgium	France (121)

Note: There is no single metric to evaluate harm. Different policy measures affect different numbers of products, economic sectors, and trading partners. GTA reports four measures of harm. The EU27 refers to the sum of all of the measures taken by the 27 national governments of the European Union and the measures taken by the European Commission. To be included in this total a state measure must have involved discrimination against the commercial interests of another state, including potentially another member of the European Union.

Table 2.6. Ten most used state measures to discriminate against foreign commercial interests since the first G20 crisis meeting; bailouts and trade defence measures remain the preferred tools of commercial discrimination.*Ranked by number of discriminatory measures imposed.*

State measure	Number of discriminatory (red) measures imposed		Number of measures implemented (red amber, or green)		Number of jurisdictions that imposed these discriminatory measures		Number of jurisdictions harmed by these discriminatory measures	
	This report (May 2010)	Increase from last report (January 2010)	This report (May 2010)	Increase from last report (January 2010)	This report (May 2010)	Increase from last report (January 2010)	This report (May 2010)	Increase from last report (January 2010)
1. Bail out / state aid measure	166	25	177	33	43	2	182	5
2. Trade defence measure (AD, CVD, safeguard)	99	32	141	43	53	5	74	16
3. Tariff measure	62	14	130	37	30	9	138	16
4. Public procurement	27	6	31	6	18	3	133	0
5. Export subsidy	25	11	21	5	43	10	184	39
6. Non tariff barrier (not otherwise specified)	23	10	35	13	14	5	136	27
7. Migration measure	20	8	29	12	17	5	64	18
8. Export taxes or restriction	16	6	37	19	35	24	146	-1
9. Import ban	14	4	17	8	12	4	54	12
10. Local content requirement	14	4	16	2	10	1	114	-1

Figure 2.3 Top 10 implemented measures used to discriminate against foreign commercial interests since the first G20 crisis meeting.

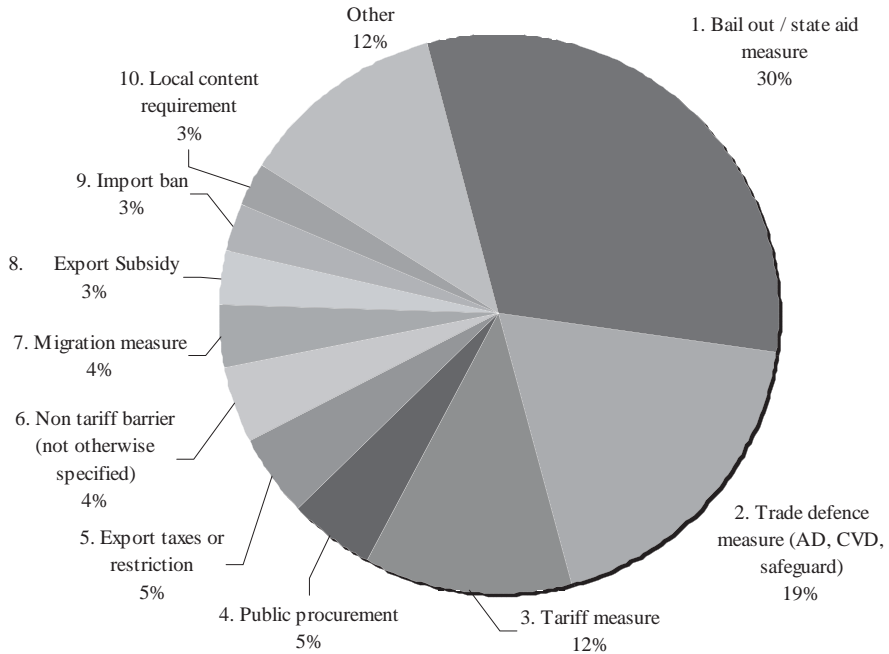


Figure 2.4 Top 10 pending measures that target foreign commercial interests.

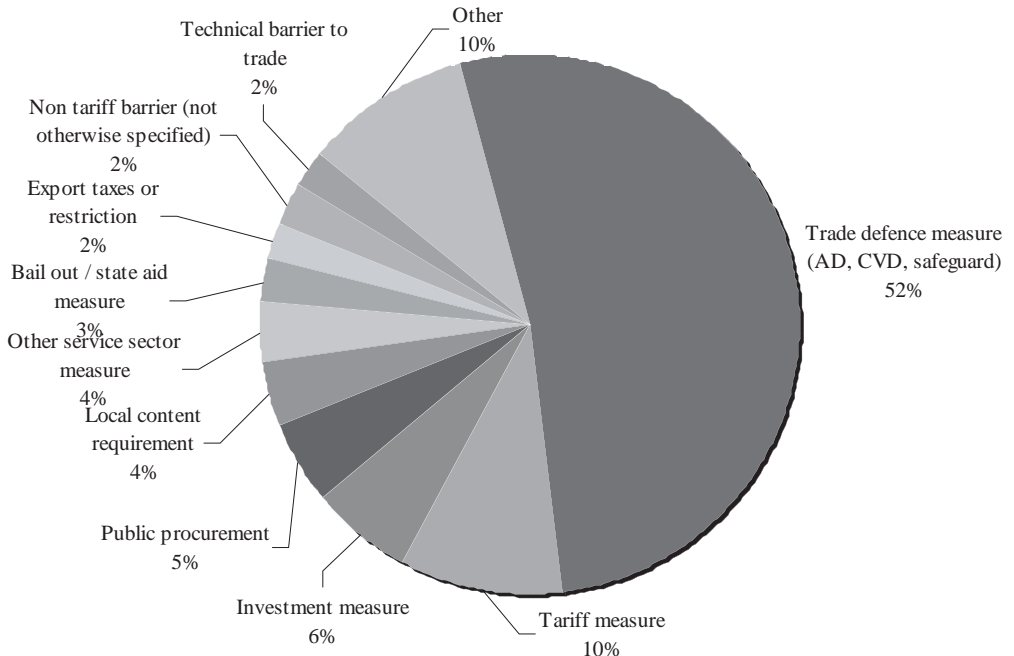


Table 2.7 Top 20 sectors most affected by discriminatory measures

CPC code, Affected Sector	Number of discriminatory (red) measures affecting commercial interests in this sector	Number of implemented measures affecting specified sector	Number of jurisdictions implementing measures affecting specified sector and classified as red	Number of pending measures affecting specified sector
81 (Financial intermediation services and auxiliary services therefor)	69	76	23	2
41 (Basic metals)	51	75	49	33
44 (Special purpose machinery)	47	78	22	13
49 (Transport equipment)	43	73	46	23
42 (Fabricated metal products, except machinery and equipment)	39	58	19	22
01 (Products of agriculture, horticulture and market gardening)	38	60	25	15
34 (Basic chemicals)	38	64	15	40
21 (Meat, fish, fruit, vegetables, oils and fats)	37	55	22	12
23 (Grain mill products, starches and starch products; other food products)	31	51	44	12
02 (Live animals and animal products)	30	41	46	7
22 (Dairy products)	30	39	41	8
38 (Furniture; other transportable goods n.e.c.)	27	37	17	8
27 (Textile articles other than apparel)	25	44	17	15
43 (General purpose machinery)	24	44	14	10
46 (Electrical machinery and apparatus)	23	37	15	9
47 (Radio, television and communication equipment and apparatus)	23	42	13	5
36 (Rubber and plastics products)	22	37	17	12
28 (Knitted or crocheted fabrics; wearing apparel)	21	37	15	7
35 (Other chemical products; man-made fibres)	20	41	13	20
29 (Leather and leather products; footwear)	19	32	12	5